

Macedonian Economy at a Glance

(as of 05/04/2010)

Real Sector

- ◆ Affected by the World Economic Crisis, GDP in 2009 dropped by 0.7%, after 4.8% growth in 2008. The drop was mostly driven by the 9.4% fall in mining and quarrying, 4.8% fall in hotel and restaurant services and 4.6% fall in transport and communications.
- ◆ GOM is targeting real GDP growth of 2% in 2010, which matches IMF's and WB's projections.
- ◆ The industrial output in 2009 fell by 7.7% short of the one in 2008. In the first two months of 2010, it dropped by 8.3%. GOM's end-year 2010 projection is 2.4% growth.
- ◆ The year-on-year CPI-based inflation rate at the end of 2009 was -1.6%. In Q1 of 2010 it was 0.7%. IMF's and GOM's 2010 projection is up to 2%.
- ◆ Unemployment rate in 2009: 32.2%¹; Employment rate in 2009: 38.4%¹
Number of employed persons at the end of January 2010: 244,511², down by 2.9% on annual basis.
Number of unemployed persons at the end of February 2010: 342,799² – down by 2.4% on annual basis.
- ◆ Wage policy - Nominal average net wage per worker in January 2010: Denar 20,330 - up by 3.6% on annual basis.
- ◆ The value of consumers' basket at the end of February 2010: Denar 12,285 – down by 3.7% on annual basis.
- ◆ 28.7% of the population lived below the poverty line (USD \$75/month) in 2008 – a drop from 29.4% in 2007
- ◆ The “gray economy” is estimated to be between 15 and 42% of GDP

Fiscal Sector

- ◆ Collection of revenues is below expectations in 2010 due to unrealistic projections of economic activity. Total budget revenues at the end of March 2010: Denar 29,525 million – down by 5.7% on cumulative basis. Total budget expenditures at the end of March 2010: Denar 33,624 million – up by 1.2% on cumulative basis.
Budget deficit at the end of March 2010: Denar 4,099 million = 1% of GDP.
End-of-2010 General Government budget balance projection: -2.5% of GDP
- ◆ Tax collection at the end of March 2010:

| Type of revenue | % of total revenues | % of 2010 plan |
|------------------------------------------|---------------------|----------------|
| Personal income tax: Denar 2,111 million | 7.1 | 21.8 |
| Profit tax: Denar 879 million | 3.0 | 19.5 |
| VAT: Denar 8,204 million | 27.8 | 21.7 |
| Excises: Denar 3,140 million | 10.6 | 20.0 |
| Import duties: Denar 953 million | 3.2 | 15.5 |
| Non-tax revenues: Denar 3,662 million | 12.4 | 20.0 |

External Sector

- ◆ At the end of February 2010:
Exports: US\$ 401 million - up by 23.3%; Imports: US\$ 681 million – down by 7.7%; Import/export coverage ratio: 58.9%; Trade deficit: US\$ 280 million – 3.1% of GDP
- ◆ Trade with USA at the end of February 2010:
Exports: US\$ 1.1 million – 0.3% of the total Macedonian exports
Imports: US\$ 11.7 million – 2.1% of the total Macedonian imports
- ◆ Current account deficit at the end of January 2010: US\$ 44.7 million = 0.5% of GDP

¹ Data from the Labor Force Survey - Statistical Office of the Republic of Macedonia

² Data from the Employment Fund

- ◆ On April 4, 2003 Macedonia officially became member of the WTO. Stabilization and Association Agreement officially went into force on April 1, 2004.
- ◆ Free trade agreements with Turkey and Ukraine. Macedonia is a member of EFTA and CEFTA 2006.
- ◆ FDI at the end of January 2010: US\$ 33.8 million = 0.4% of GDP
- ◆ External debt at the end of 2009: US\$ 5,505 million; 62.9% of GDP
- ◆ Foreign exchange reserves at the end of March 2010: US\$ 2,168 million = 4.8 months of imports

Monetary Sector

- ◆ Lack of revenues in the budget prompted the GOM to borrow domestically at high interest rates, affecting the interest rates of the Central Bank and consequently of the banks.
Average nominal weighted lending rate in February 2010: 10.0%
Average nominal weighted deposit rate in February 2010: 7.5%
Money market weighted interest rate in February 2010: 5.3%
- ◆ The CB so far successfully manages the exchange rate of the denar, maintaining the peg against the euro at its targeted level, despite losing significant foreign exchange reserves in the first half of 2009.
- ◆ Total deposits with banks at the end of February 2010: Denar 189,768 million - up by 8.7% on annual basis. 46.4% of the total is denar deposits, while 53.6% of the total is foreign currency deposits.
- ◆ Total bank loans at the end of February 2010: Denar 179,611 - up by 2.4% on annual basis. 77.8% of the total bank loans are in denars, while 22.2% are in foreign currency.

Relations with international financial institutions

- ◆ IMF Mission approved the fourth and final review of the SBA in September 2008 after the program ended in August 2008. The GOM did not initiate talks for a new program with the IMF.
- ◆ In April 2008, the WB Board approved their latest Country Partnership Strategy for Macedonia 2007-2010. In July 2009, they signed with the GOM a US\$ 25 million loan for providing financing facility for local governments. In March 2010, the WB disbursed US\$ 30 million in budget support to the GOM.
- ◆ EBRD - In the period 1991-2009, EBRD financed projects worth more than euro 415 million for: private sector development, restructuring the banking sector, development of financial institutions, supporting SME's, infrastructure projects, AG projects, municipal services, etc.
- ◆ In 2009 and early 2010, the Macedonian Bank for Development Promotion withdrew 31 million euros (about US\$ 42 million) of the 100 million euros approved credit line from the European Investment Bank, to be used mostly for financing SMEs.